

Message Text

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ACTION EB-08

INFO OCT-01 EA-09 ISO-00 COME-00 USIA-15 /033 W

-----061216Z 082492 /13

R 060746Z APR 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 8094

UNCLAS SECTION 1 OF 2 MANILA 5095

E.O. 11652: N/A

TAGS: BEXP, RP

SUBJECT: COUNTRY COMMERCIAL PROGRAMS: PRELIMINARY FY1979 INPUTS

REF: STATE 044899/1

SUMMARY. THE EMBASSY'S PRELIMINARY RECOMMENDATIONS FOR INCLUSION IN THE CCP FOR FY 1979 ARE FOR FIVE CAMPAIGN AND FIVE "POST SPECIAL EFFORT" ACTIVITIES. WE WISH TO CENCENTRATE OUR CAMPAIGN EFFORRS ON METALWORKING AND FINISHING EQUIPMENT, THE EXHIBIT PROGRAM AT THE U.S. BUSINESS CENTER, COMPUTERS AND PERIPHERAL EQUIPMENT, PROCUREMENT FOR MAJOR PROJECTS, AND LABORATORY INSTRUMENTATION. IN SELECTION OF CAMPAIGN THEMES, AS INSTRUCTED, WE DREW SELECTIVELY UPON OUR "BEST PROSPECT REPORTS." WE ALSO TOOK INTO CONSIDERATION, FOR THE ENTIRE PROGRAM OF WORK, CHANGES IN HOST GOVERNMENT POLICIES, THIRD COUNTRY COMPETITION AND THE PREVIOUS YEAR'S PROMOTIONAL EMPHASIS. FURTHERMORE, WE PAID PARTICULAR ATTENTION TO THE INDUSTRIES WHICH COMMERCE HAS SELECTED FOR MARKET RESEARCH TO BE INITIATED IN 1978. IN OUR SPECIAL EFFORTS, WE PLACED HIGH PRIORITY ON BILATERAL AND ASEAN COOPERATION AND ON THE REMOVAL OR SOLUTION OF TRADE PROBLEMS AND BARRIERS. END SUMMARY.

1. AS CAMPAIGN NUMBER 1, PRIORITY RANK 2, WE SUGGEST THE PROMOTION OF METALWORKING AND FINISHING EQUIPMENT. THE TOTAL MARKET FOR THIS PRODUCT IS ESTIMATED TO BE CURRENTLY UNCLASSIFIED

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WELL OVER US\$30.9 MILLION ANNUALLY AND THE U.S. SHARE IS ABOUT 20 PERCENT. A RECENT WASHINGTON-RECRUITED METAL-WORKING TRADE MISSION GENERATED US\$500,000 TO US\$1 MILLION DURING ITS WEEK'S STAY IN MANILA. PROBLEMS TO BE OVERCOME ARE: UNFAMILIARITY OF MANY POTENTIAL CUSTOMERS WITH U.S. MACHINE TOOLS; STIFF EUROPEAN AND JAPANESE COMPETITION; OVER-SOPHISTICATION OF MUCH OF THE AMERICAN EQUIPMENT FOR

THIS MARKET; AND THE LITTLE INVESTMENT CAPITAL CURRENTLY AVAILABLE FOR THIS INDUSTRY. NEVERTHELESS, WE EXPECT THAT SOME OF THESE CONDITIONS WILL HAVE IMPROVED IN 14 TO 20 MONTHS, AND BELIEVE THAT FISCAL 1979 WILL BE THE BEST TIME FOR THIS CAMPAIGN.

2. WE BELIEVE THAT OUR CAMPAIGN NUMBER 2, PRIORITY RANK 3 SHOULD BE THE PROGRAM AT THE EMBASSY'S U.S. BUSINESS CENTER. OUR CONVICTION IS PRIMARILY BASED ON THE RECENT SUCCESSES OF THE CENTER AND NEW EXHIBITS THAT WE HAVE PROGRAMMED. EXAMPLES ARE THE LOCALLY MOUNTED PRINTING AND GRAPHIC ARTS EXHIBITION THAT HAD PROJECTED SALES OF OVER US\$2 MILLION, BUSINESS CENTER SERVICES TO THE WASHINGTON-RECRUITED METALWORKING TRADE MISSION MENTIONED ABOVE, SERVICES TO AN ILLINOIS STATE TRADE MISSION THAT ESTABLISHED SEVERAL AGENCY RELATIONSHIPS, AND EFFORTS IN BEHALF OF WASHINGTON-RECRUITED CATALOG SHOW AND AN ELEVEN-BOOTH LOCALLY RECUIRTED TRADE EXHIBITION WHICH TOGETHER ACHIEVED OVER US\$10 MILLION IN PROJECTED SALES.

3. FOR CAMPAIGN NUMBER 3, PRIORITY RANK 1, EMBASSY SUGGESTS COMPUTER AND PERIPHERAL EQUIPMENT. OUR RESEARCH INDICATES THAT THE U.S. SHARE OF MARKET FOR COMPUTERS AND PERIPHERAL EQUIPMENT IS LARGE, ABOUT 37 PERCENT, THAT THE MARKET IS IMPROVING AND JAPAN IS A STRONG COMPETITOR. WITH A TOTAL MARKET ESTIMATED TO BE OVER US\$10 MILLION ANNUALLY AND CLIMBING, IT WOULD APPEAR IMPORTANT FOR THE U.S. TO MAKE A SPECIAL EFFORT TO MAINTAIN ITS POSITION VIS A VIS COMPETITORS.

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4. THE EMBASSY WOULD LIKE TO HAVE AS CAMPAIGN NUMBER 4, PRIORITY RANK 5 THE PROMOTION OF PROCUREMENT OF U.S. SUPPLIES AND EQUIPMENT FOR MAJOR PROJECTS. GOP PLANS FOR MAJOR PROJEDTS IN THE AREAS OF ENERGY, MINING, BASIC INDUSTRIES, HEALTH CARE, WATER AND SEWAGE INDICATE OPPORTUNITIES, IN THESE AREAS, WHICH SHOULD RECEIVE SPECIAL ATTENTION.

5. FOR CAMPAIGN NUMBER 5, PRIORITY RANK 4, WE SUGGEST LABORATORY INSTRUMENTATION. EMBASSY RESEARCH INDICATES THAT THE MARKET WILL GROW AT THE UNUSUAL RATE OF 29 PERCENT DURING THE 1977-79 PERIOD. THE TOTAL MARKET HERE WAS

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ALREADY US\$9.3 MILLION IN 1975 AND WE SOLD US\$2.4 MILLION
OF THAT. WE FEEL THAT THE U.S. IS HIGHLY COMPETITIVE IN
THIS FIELD, BUT THAT WE NEED TO PROMOTE THE PRODUCT CATEGORY
IN ORDER TO STAY AHEAD OF THE JAPANESE.

6. AS POST SPECIAL EFFORT ACTIVITY 1, PRIORITY 6, WE
WILL NEED TO ENGAGE IN REPRESENTATION AND NEGOTIATIONS ON
A VARIETY OF BILATERAL ISSUES. A SUCCESSOR AGREEMENT TO
LAUREL-LANGLEY IS HIGHLY DESIRABLE, PARTICULARLY PROVIDING
FOR IMPROVED ACCESS TO THE PHILIPPINE MARKET AND GUARANTEES
FOR U.S. INVESTMENTS. THE TEXTILE AGREEMENT WITH THE
PHILIPPINES WILL REQUIRE BOTH CONSULTATIONS AND RE-
NEGOTIATION. CIVIL AVIATION ROUTES AND RIGHTS WILL BE
UNDER REVIEW, AND THE PROSPECTS FOR A BILATERAL AGREEMENT
MAY BE BRIGHTER IN 1979 THAN NOW.

7. FOR POST SPECIAL EFFORT ACTIVITY 2, PRIORITY 7, THE
DEVELOPING ECONOMIC PROGRESS OF ASEAN AND ITS INCREASING
POLITICAL STATURE ARE OF IMPORTANCE TO CONTINUED U.S.
ECONOMIC INTERESTS IN THE AREA. WE WILL ENGAGE IN OUR
ECONOMIC DIALOGUE WITH ASEAN SO AS TO IMPROVE OUR ACCESS
TO THIS REGIONAL MARKET AND ENABLE U.S. FIRMS TO COMPETE
ON A MULTILATERAL OR REGIONAL BASIS. THE ASEAN INDUSTRIAL
PROJECTS OFFER OPPORTUNITIES FOR THE SUPPLY OF ENGINEERING
SERVICES AND EQUIPMENT.

8. FOR POST SPECIAL EFFORT ACTIVITY 3, PRIORITY 8, WE
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SUGGEST PROTECTION OF U.S. FIRMS AGAINST DISCRIMINATORY
MEASURES. SOME EXAMPLES OF CURRENT PROBLEMS ARE SHIPPING,
PROPOSED RESTRICTIONS ON LOCAL BORROWING BY U.S. FIRMS,
ENTRY INTO PHILIPPINE MARKET (E.G. AVON AND HILL AND
KNOWLTON CASES), EXPORT RESTRICTIONS (RATTAN), ETC. THESE,
EXCEPT FOR RATTAN, ARE BARRIERS TO U.S. EXPORT EXPANSION

AND SHOULD ENJOY HIGH PRIORITY.

9. FOR POST SPECIAL EFFORT ACTIVITY 4, PRIORITY 9, WE SUGGEST FACILITATION ASSISTANCE FOR U.S. CIVIL AIR OVER-FLIGHT AND LANDING CLEARANCES IN ORDER TO PROMOTE U.S. CARRIAGE OF GOODS AND SERVICES. THIS IS A CONTINUING ISSUE, WITH MANY PROBLEMS, WHICH PROBABLY WILL BE WITH US AND DEMAND MUCH ATTENTION FOR YEARS TO COME.

10. FOR POST SPECIAL EFFORT ACTIVITY 5, PRIORITY 10, POST RECOMMENDS SPECIAL EFFORT TO STRENGTHEN RELATIONS BETWEEN THE AMCHAM AND THE GOP. THE AMERICAN BUSINESS COMMUNITY HERE IS ALSO VERY CONCERNED ABOUT U.S. POLICIES TOWARD THE PHILIPPINE DESIRES TO BE CONSULTED ON THEIR FORMULATION AND IMPLEMENTATION. WE EXPECT THIS ACTIVITY TO REQUIRE OUR SPECIAL ATTENTION FOR A LONG TIME.
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